

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: June 4, 2003

To: The Commission
(Meeting of June 5, 2003)

From: Alan LoFaso, Director
Office of Governmental Affairs (OGA) — Sacramento

Subject: **AB 1157 (Canciamilla) Public Utilities. Water rates.**
As amended April 22, 2003

Legislative Subcommittee Recommendation: Oppose.

Summary: This bill would give retroactive effect to AB 2838 of 2002 by requiring the Commission to approve interim rate increases for specified water corporations whose rate applications were filed prior to the enactment of that new statute.

Digest: Existing law, PU Code sec. 455.2 (added by Chapter 1147, Statutes of 2002 (AB 2838, Canciamilla)), requires the Commission to issue final decisions on general rate case (GRC) applications for Class A water corporations so that the rates may apply to the first day of the test year. If the Commission does not have a decision by the first day of the test year, the water corporation is entitled, subject to specified limitations, to interim rates equal to the inflation rate as compared to existing rates.

Existing law, enacted by the same chapter, requires Class A water corporations to file GRCs every three years, and requires the Commission to develop a plan to facilitate the filing of these GRC applications.

This bill would allow class A water utilities that filed rate case plans prior to the enactment of AB 2838 to obtain automatic rate approval of the interim rate increase described above.

This bill would also provide that its provisions are declaratory of existing law.

Analysis: In order to implement the statute, AB 2838 required the Commission to revise the existing water rate case plan (RCP) by December 31, 2003. The revisions in the RCP are intended to provide the Commission sufficient time to review the proposed

water utility GRCs so that the Commission would have adequate time to issue a final decision prior to any water utility's application interim rate increases pursuant to the statute. Thus, applications filed after the revised water rate case plan takes effect would have the opportunity to be reviewed by the Commission before any interim rates would take effect.

Applications filed prior to the revised RCP will be subject to follow guidelines adopted under the existing RCP.

Under the rate case plan adopted by Commission decision (D.) 90-08-045, a minimum of 274 days is necessary for adequate review to set future rates. The purpose of test year dates under this plan was to serve as a base year for projections. The purpose was not to set new rates by the first test year. Rather new rates are typically set when the Commission approves the general rate case. Therefore, under the current RCP, it would be detrimental to ratepayers to allow water utilities that apply under the existing RCP to increase rates without proper review by the Commission.

AB 1157 would provide for interim water rate increases that may be effective by the start of the first test year for water utilities that are subject to the existing RCP under D.90-08-045 and not when the general rate case is approved. The Commission may approve attrition rates that compensate the water utility for inflation and past expenses. However, it would be inequitable to provide for these interim rate increases without proper review by the Commission of the water utility's GRC application.

AB 2838 requires that the RCP be revised before interim rate increases are mandated. That structure provided for sufficient review of GRCs before consideration of interim rate increases. That structure should remain in place.

LEGISLATIVE HISTORY

Assembly U.&C.: 13-0 (do pass) (4//28/03)
Assembly Floor: 73-0 (pass to Senate) (5/8/03)

SUPPORT/OPPOSITION

Support: California Water Association.

Opposition: None on file.

LEGISLATIVE STAFF CONTACT

Reena Bajwa, Executive Fellow/Analyst
CPUC- OGA/DSP

baj@cpuc.ca.gov
(916) 445-1453

Alan LoFaso, Legislative Director
CPUC- OGA

alo@cpuc.ca.gov
(916) 327-7788

Date: June 4, 2003

BILL LANGUAGE:

BILL NUMBER: AB 1157 AMENDED
BILL TEXT

AMENDED IN ASSEMBLY APRIL 22, 2003

INTRODUCED BY Assembly Member Canciamilla

FEBRUARY 21, 2003

An act to amend Section 455.2 of the Public Utilities Code,
relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 1157, as amended, Canciamilla. Public utilities: water rates.

Existing law requires the Public Utilities Commission to establish rates for water corporations and requires the commission to issue a final decision, within a specified timeframe, on a water corporation's application, involving a water corporation with greater than 10,000 service connections, for a general rate increase pursuant to the commission's rate case plan for general rate increase applications.

This bill would ~~state the intent of the Legislature that the requirement~~ require that the commission issue a final decision in an application by a water corporation with greater than 10,000 service connections, ~~is~~ without regard to when the application is filed or was previously filed.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

~~SECTION 1. In adding Section 455.2 to the Public Utilities~~

SECTION 1. Section 455.2 of the Public Utilities Code is amended to read:

455.2. (a) The commission shall issue its final decision on a general rate case application of a water corporation with greater than 10,000 service connections in a manner that ensures that the commission's decision becomes effective on the first day of the first test year in the general rate increase application.

(b) If the commission's decision is not effective in accordance with subdivision (a), the applicant may file a tariff implementing interim rates that may be increased by an amount equal to the rate of inflation as compared to existing rates. The interim rates shall be effective on the first day of the first test year in the general rate case application. These interim rates shall be subject to refund and shall be adjusted upward or downward back to the interim rate effective date, consistent with the final rates adopted by the commission. The commission may authorize a lesser increase in interim rates if the commission finds the rates to be in the public interest. If the presiding officer in the case determines that the commission's decision cannot become effective on the first day of the

first test year due to actions by the water corporation, the presiding officer or commission may require a different effective date for the interim rates or final rates.

(c) The commission shall establish a schedule to require every water corporation subject to the rate case plan for water corporations to file an application pursuant to the plan every three years. The plan shall include a provision to allow the filing requirement to be waived upon mutual agreement of the commission and the water corporation.

(d) The requirements of subdivisions (a) and (b) may be waived at any time by mutual consent of the executive director of the commission and the water corporation.

(e) This section applies to every pending general rate case application of a water corporation with greater than 10,000 service connections, without regard to when the application is filed or was previously filed. This subdivision does not constitute a change in, but is declaratory of, the intent of the Legislature in adding this section by enacting Chapter 1147 of the Statutes of 2002.

~~Code, the Legislature intended that it apply to every general rate case application of a water corporation with greater than 10,000 service connections, without regard to when the application is filed or was previously filed. This section does not constitute a change in, but is declaratory of, existing law.~~